93-1208H

1992 Annual Report

The Stop & Shop Companies, Inc.

For the Year Ended
January 30, 1993

LEADERSHIP through innovation and community involvement makes Stop & Shop a major force in Southern New England. We pioneered and have continually enhanced the one-stop shopping concept in our market area. Through the most aggressive real estate program in our history, we continue to increase our market share and our customer base.

STOP & SHOP is a community leader in combating hunger through our work with Food For Friends and the Second Harvest National Food Bank Network. We continue to support the Dana-Farber Cancer Institute in its fight against childhood cancer.

TEAMWORK and COMMITMENT TO EXCELLENCE, we believe, will insure our success as we move towards the next century.

Headquartered in Boston, Massachusetts, The Stop & Shop Companies, Inc. operates the largest supermarket chain in New England with stores in Massachusetts, Connecticut, Rhode Island and New York. Stop & Shop employs approximately 27,000 people.

Annual Meeting
May 26, 1993 at 10:00 am
Sheraton Tara Hotel
37 Forbes Road
Braintree, MA 02184

Transfer Agent and Registrar
Chemical Banking Corporation

Corporate Offices
1 Bradlees Circle
Braintree, MA 02184

Form 10K
Stockholders may obtain a copy of the Company's report on Form 10-K to be filed with the Securities and Exchange Commission, without charge, by writing to the Public Relations Department
The Stop & Shop Companies, Inc.
P.O. Box 369
Boston, MA 02101

Common Stock traded on the New York Stock Exchange.

Highlights

THE STOP & SHOP COMPANIES, INC. AND SUBSIDIARIES

(Dollars in thousands except per share amounts)	Year Ended January 30, 1993	February 1, 1992	February 2, 1991 (53 Weeks)
Operating results:			
Retail sales	**$3,352,327**	$3,238,009	$3,218,160
Earnings before interest, taxes, depreciation and amortization	**252,874**	230,334	200,356
Total depreciation and amortization	**67,598**	60,557	54,449
Operating profit	**185,276**	169,777	145,907
Interest, net	**81,672**	97,603	88,063
Earnings from continuing operations	**54,397**	37,531	28,851
Earnings per share from continuing operations	**$ 1.05**	$ 1.00	$ 0.84
Weighted average number of common shares and share equivalents outstanding	**51,587**	37,621	34,271
Cash capital expenditures:			
Real Estate	**$ 62,857**	$ 43,194	$ 10,934
Other	**57,897**	44,922	52,454
	$ 120,754	$ 88,116	$ 63,388
Stores in operation at year-end:			
Superstores	**72**	64	62
Conventional stores	**46**	54	55
	118	118	117
Total square feet of selling space at year end (in thousands):			
Superstores	**3,149**	2,749	2,668
Conventional stores	**944**	1,105	1,119
	4,093	3,854	3,787
Average sales per square foot (selling space):			
Superstores	**$ 874**	$ 875	$ 878
Conventional stores	**$ 807**	$ 806	$ 849

Market Price of Common Stock and Related Security Holder Matters

	Year Ended January 30, 1993	February 1, 1992[1]
	Market Price Range	
First 16 Weeks	**17½-13⅞**	N/A
Second 12 Weeks	**15⅛-12⅜**	N/A
Third 12 Weeks	**16½-12¾**	N/A
Fourth 12 Weeks	**19½-16⅛**	16¼-10⅞
Approximate number of stockholders at March 8, 1993 and March 9, 1992:	**1,255**	1,231
Dividends paid	none[2]	none[2]
Stock exchange listing: New York Stock Exchange		
Ticker symbol: SHP		

[1] Public trading on the Company's common stock commenced on November 22, 1991, the date of the Company's initial public offering.
[2] The payment of dividends is restricted by debt instruments. See notes to consolidated financial statements.

Letter to Our Employees and Stockholders

1992 was a year of positive change and continued growth for The Stop & Shop Companies, Inc. In July, we sold the Bradlees chain, thus allowing us to focus increased attention on our core supermarket business. The $389 million from this sale, combined with the proceeds from our initial public offering in 1991 and the senior subordinated debt offering in 1992, enabled the Company to retire its high yield debt.

Total sales increased 4% to $3.4 billion compared with $3.2 billion in 1991. Earnings from continuing operations grew dramatically, increasing 45% to $54 million in 1992, from $38 million last year. We experienced a net loss of $169 million, primarily due to the write-off of goodwill and other non-cash charges associated with the Bradlees divestiture and extraordinary losses on the redemption of high interest debt.

Lewis G. Schaeneman, Jr. and Robert G. Tobin in the floral department of a newly opened Super Stop & Shop in Braintree, MA.

Cash capital expenditures of $121 million in 1992, with $140 million projected for 1993, signals the beginning of the most aggressive real estate expansion program in the history of our Company.

With nine superstores opened in 1992, Super Stop & Shops now comprise 72 of our 118 supermarkets and 75% of annual sales. Our superstores are among the most productive in the nation with sales of $874 per square foot of selling area.

During the next two years, at least 24 new superstores will open. Thirteen of these will replace conventional stores. By the end of 1994, selling area will increase by 25%, and sales from superstores will reach 85% of the total.

Beyond 1994, we plan to replace 19 and close four conventional supermarkets. We will continue to operate ten others which cannot be replaced. In addition, we have a substantial inventory of new store sites under development in Southern New England and have begun to identify superstore opportunities in adjacent areas of New York state and New Jersey.

In recognition of increased responsibilities resulting from the restructuring after the sale of Bradlees, and as a result of our succession plan, we were pleased to announce the following appointments. William J. Grize was promoted to Executive Vice President Retailing, and Richard A. Baird, Robert A. Manson, Marc E. Smith and William M. Vaughn were named senior vice presidents. These appointments, together with the four senior vice presidents currently in place, provide a vigorous senior management team with over 200 years of industry experience.

Our achievements exemplify what teamwork and dedication to excellence can produce. The continuing commitment of all of our employees to these ideals will enable us to compete successfully through the 90s and into the 21st century.

Lewis G. Schaeneman, Jr.
Chairman and Chief Executive Officer
The Stop & Shop Companies, Inc.

Robert G. Tobin
President and Chief Operating Officer
The Stop & Shop Companies, Inc.

Stop & Shop: an Industry Innovator and Community Leader

Introduced the One-Stop Shopping Concept to New England

Innovation and leadership have been synonymous with Stop & Shop for eight decades. Stop & Shop has grown and changed, always trying to respond to consumer needs. Eleven years ago, we opened the first superstore in New England. Today, we are the premier superstore company of the Northeast.

We maintain the number one market share in New England, surpassing the total share of our next three competitors in the combined states of Connecticut, Massachusetts and Rhode Island.

SUMMER YEAR ROUND

Our produce department is second to none with 350 of the freshest fruits and vegetables from around the world.

With 24 shops under one roof, the superstore provides an array of departments and services that meet our customers' one-stop shopping needs. All of our superstores can replenish product the same day via our strategically located major distribution complexes.

Leadership in Community Services

Involvement with the communities in which we operate is a top priority.

We work hand in hand with the Second Harvest National Food Bank Network and its regional members. As a leader in food retailing, we are committed to fighting hunger.

Stop & Shop's Food For Friends campaign includes a chain-wide

Corner Deli

An extensive array of quality cheeses, sandwich meats, specialty salads and desserts combined with attentive service makes our deli unique.

Foods to Go

One-stop shopping at its best, Foods to Go offers home-cooked meals, BBQ chickens, pizzas and much more.

food drive, store-level fundraisers and a coupon book. In total, in 1992, Stop & Shop donated $1.1 million in products, cash and services to the Second Harvest National Food Bank Network and more than 8 million pounds of salvageable food with a retail value of $12 million to New England food banks.

Stop & Shop also is committed to combating childhood cancer and actively supports the work of the Dana-Farber Cancer Institute. With the help of our customers and suppliers, Stop & Shop raised $1 million each year in 1991 and 1992 for the research, treatment and eventual cure of this deadly disease. Our plan is to continue this effort in 1993.

With over 200 freshly baked goods, including European breads, hand decorated cakes and an array of muffins, our Bake Shop is a favorite stop.

Growth in the Nineties

Stop & Shop now is engaged in its most aggressive expansion ever. In 1992, we opened nine Super Stop & Shops, including five replacements and four in new communities. At fiscal year-end, Stop & Shop operated 72 superstores and 46 conventional supermarkets with 4.1 million square feet of selling space, up 6% from 1991.

Our plan for 1993 is to open at least 12 additional superstores, all of which are under construction. Four will replace older, conventional supermarkets, and eight will open in new locations. In 1994, we will open 12 additional Super Stop & Shops.

We also are exploring new markets adjacent to our current areas of operation. We believe Northern New Jersey, Long Island and Dutchess, Putnam and

Health & Beauty

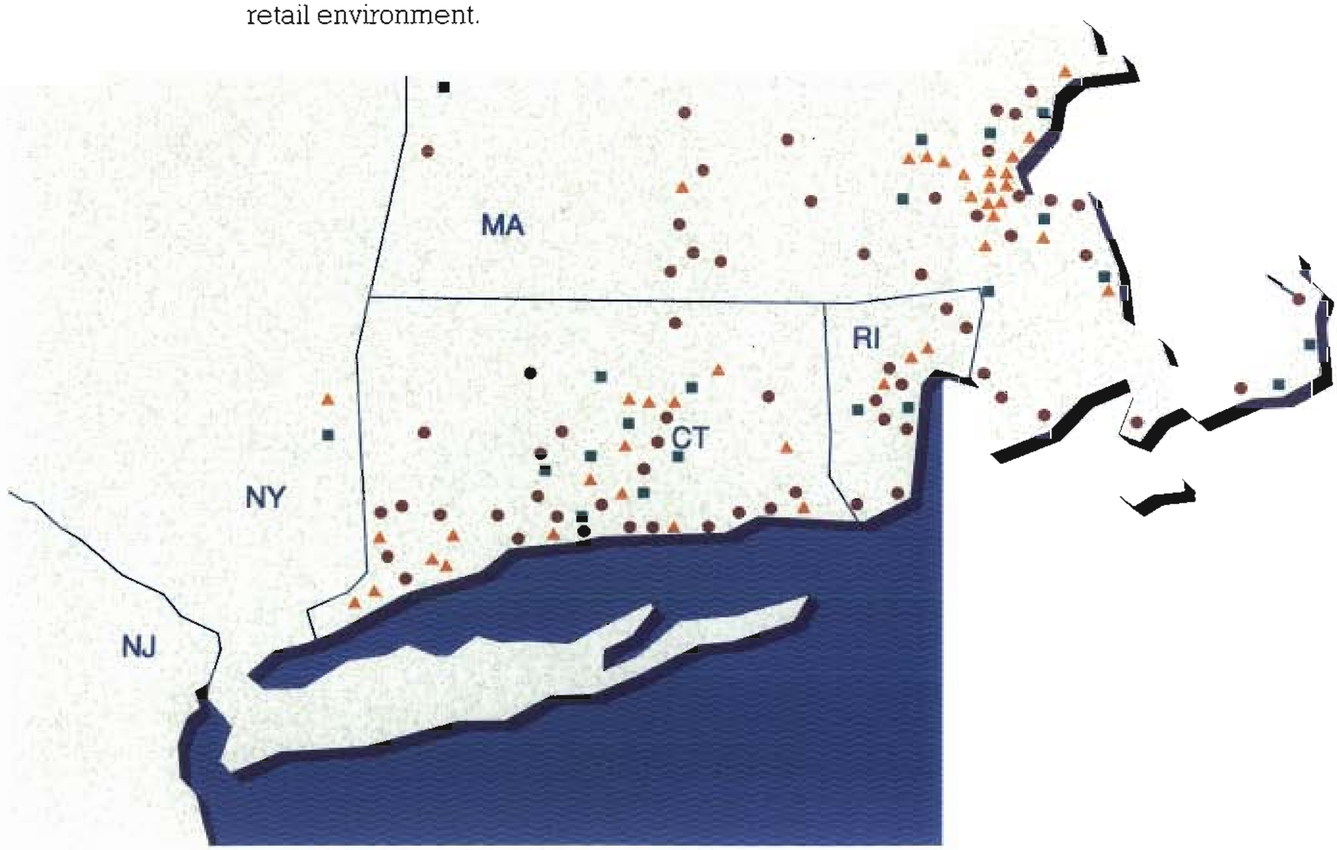
A multitude of health and beauty care products line our shelves including over 300 Stop & Shop brand products.

Prescriptions

Stop & Shop's full service pharmacies allow customers to shop while their prescriptions are being filled.

Westchester Counties of New York are fertile territories for our superstore concept.

From creating and building superstores, to serving consumers' one-stop shopping needs, to feeding the hungry, Stop & Shop's success is built upon the teamwork and commitment of our employees. Their dedication to excellence provides unlimited potential for success in our rapidly changing retail environment.



Stop & Shop Locations

- *1992 & planned 1993 Super Stop & Shop openings*
- *Super Stop & Shop prior to 1992*
- *Stop & Shop Conventional*

FINANCIAL REVIEW "In July, we sold the Bradlees chain, thus allowing us to focus increased attention on our core supermarket business."

"Earnings from continuing operations grew dramatically, increasing 45% to $54 million in 1992, from $38 million last year."

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"By the end of 1994, selling area will increase by 25%, and sales from superstores will reach 85% of the total."

Contents

Management's Discussion and Analysis of Results of Operations and Financial Condition

THE STOP & SHOP COMPANIES, INC. AND SUBSIDIARIES
YEARS ENDED JANUARY 30, 1993 ("1992"), FEBRUARY 1, 1992 ("1991") and FEBRUARY 2, 1991 ("1990")

RESULTS OF OPERATIONS

On July 9, 1992, The Stop & Shop Companies, Inc. (the "Company") sold its Bradlees Business. The net proceeds from this sale approximated $389 million (including the assumption of $50 million of capital lease obligations) which resulted in a loss of $194.5 million or $3.77 per share. (See note to consolidated financial statements: "Discontinued Operations"). As a result of this sale, the financial statements of the Company have been restated to reflect its results as a continuing operation, with Bradlees Business performance shown as discontinued operations for all prior years in conformity with generally accepted accounting principles.

Retail sales increased 4%, 1% and 12% in 1992, 1991 and 1990 (53 weeks), respectively. Adjusting for the 53rd week in 1990, sales increased 3% in 1991 and 9% in 1990. Comparable store sales, defined as those stores open for a full 52 weeks, were level in 1992, increased 1% in 1991 and increased 4% in 1990. Total retail sales increased at a greater rate than comparable store sales primarily due to growth from new or expanded stores. The Company's program of converting from a conventional supermarket to a superstore company continued in 1992. At the end of 1992, superstore sales accounted for 75% of the Company's total sales volume and are expected to reach 85% by the end of 1994.

Operating profit, defined as earnings from continuing operations before interest and income taxes, increased in 1992 to $185.3 million as compared with $169.8 million in 1991 and $145.9 million in 1990. This favorable trend reflects the superstore maturation process, favorable product mix and strict inventory and expense controls. Expressed as a percentage of sales, operating profit was 5.5%, 5.2% and 4.5% in 1992, 1991 and 1990, respectively.

Depreciation and amortization expense (including amortization of goodwill and lease interests) has increased steadily over the past three years to $67.6 million in 1992 from $60.6 million in 1991 and $54.4 million in 1990. This increase in expense reflects the Company's accelerated store development program. Due to the lack of developer financing, cash capital expenditures for Company owned real estate were $62.9 million and $43.2 million in 1992 and 1991, respectively, as compared to $10.9 million in 1990. Depreciation and amortization, as a percent of sales, was 2.0% in 1992, 1.9% in 1991 and 1.7% in 1990.

Net interest expense totalled $81.7 million (2.4% of sales) in 1992, $97.6 million (3.0% of sales) in 1991 and $88.1 million (2.7% of sales) in 1990. The 1992 net interest expense was impacted primarily by the restructuring of the Company's debt, which began in 1991. During 1991 and 1992, the Company repurchased all outstanding Series I and II Notes approximating $431.5 million, together with the $175.0 million of Subordinated Debentures. Interest on this high yield debt carried rates ranging from 12.5% to 13.25% (See note to consolidated financial statements: "Short-Term and Long-Term Debt").

The provision for income taxes from continuing operations resulted in effective tax rates of 47% in 1992, 48% in 1991 and 50% in 1990. The tax rates were impacted significantly by 1988 purchase accounting adjustments which have been treated as permanent differences for financial reporting purposes.

Earnings from continuing operations were $54.4 million ($1.05 per share), $37.5 million ($1.00 per share) and $28.9 million ($0.84 per share) in 1992, 1991, and 1990, respectively. The earnings per share amounts were calculated based on weighted average number of common shares and share equivalents outstanding of 51.6 million in 1992, 37.6 million in 1991 and 34.3 million in 1990.

NEW ACCOUNTING STANDARDS

In February 1992, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 109, Accounting for Income Taxes. The Company will adopt SFAS No. 109 in the first fiscal quarter of 1993. The Company will apply the provisions of SFAS No. 109 retroactively to April 1, 1988 and restate prior years' financial statements. Although implementation will affect the presentation of the Company's financial statements, it will not have a material financial impact on them.

In December 1990, the FASB issued SFAS No. 106, Employer's Accounting for Postretirement Benefits Other Than Pensions. In the first fiscal quarter of 1993, the Company also will adopt SFAS No. 106. Under SFAS No. 106, the Company will accrue for postretirement benefits over employees' active service lives. Implementation of SFAS No. 106 will not have a material impact on the Company's financial statements.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities, excluding the effects of discontinued operations, was $103.5 million in 1992, $129.1 million in 1991 and $128.3 million in 1990. Excluding the net assets related to discontinued operations, the working capital deficiency amounted to $91.3 million at the end of 1992, $85.2 million at the end of 1991 and $84.1 million at the end of 1990. This resulted in ratios of current assets to current liabilities of 0.8, 0.7 and 0.7 at the end of 1992, 1991 and 1990, respectively.

Changes in 1992 cash flow from investing activities consisted of proceeds derived from the disposition of Bradlees, offset by cash capital expenditures totaling $120.8 million. Cash capital expenditures were $88.1 million in 1991 and $63.4 million in 1990. Due to lack of developer financing, real estate development expenditures accounted for 52% ($62.9 million) and 49% ($43.2 million) of the total cash capital expenditures in 1992 and 1991, respectively, compared to 17% ($10.9 million) in 1990.

In addition to its recurring short and long-term debt repayments over the past three years, the Company issued new debt and common stock and reduced its subordinated debt. During 1992, the Company issued $250 million of 9.75% Senior Subordinated Notes and disposed of its Bradlees Business with net proceeds of approximately $389 million (including the assumption of $50 million of capital lease obligations) and in 1991 sold 17 million shares of common stock with net proceeds of approximately $200 million. The net proceeds from these transactions were used by the Company to repurchase all of its Series I and Series II Notes ($431.5 million), to retire the entire $175.0 million of Subordinated Debentures, to purchase a $50.0 million Subordinated Note, and to further reduce outstanding balances under the Credit Agreement (See note to consolidated financial statements: "Short-Term and Long-Term Debt"). The repurchase and retirement of the Series I Notes, Series II Notes and the Subordinated Debentures resulted in an extraordinary loss, net of income tax benefits, of $14.9 million in 1992 and $8.6 million in 1991.

On March 2, 1992, the Company was notified by its lead bank that its bank financing transactions were no longer considered highly leveraged transactions, as such term then was defined by bank regulatory agencies. As a result of this determination, together with the Company's strong operating performance, financial position and new debt structure, the Company renegotiated major terms in its Credit Agreement, effective April 9, 1992. The amended and restated Credit Agreement, which also replaced both the March 31, 1988 Credit Agreement and Working Capital Facility, contains terms that are more favorable with respect to interest rates, available borrowing amounts, repayment terms and covenant flexibility. The Credit Agreement, which expires on March 31, 1998, originally provided a maximum borrowing amount of $600.0 million. On September 18, 1992, as a result of the disposition of the Bradlees Business, the Company voluntarily reduced its overall commitment under the Credit Agreement to $400.0 million. Accordingly, the full amount of the Credit Agreement becomes due, without any further scheduled reduction, on March 31, 1998. At January 30, 1993, unused lines of credit totalled $212.3 million under the Credit Agreement (net of $19.7 millon in standby letters of credit).

The Company expects that working capital requirements and capital additions, including the funds necessary for the Company's planned new Super Stop & Shops will continue to be funded through a combination of funds available from operations and the Credit Agreement. The Company expects that debt service requirements will be funded through operations.

CAPITAL ASSET ADDITIONS

Additions to property, plant and equipment, including assets recorded under capital leases, were $124.9 million, $91.5 million and $83.0 million in 1992, 1991 and 1990, respectively. These additions, which include increased 1991 and 1992 expenditures for real estate development, were used primarily for new and remodeled stores and investments in new technology.

During the year, the Company opened nine new superstores. One of these, for the first time, replaced an existing superstore, thus 72 superstores were in operation at the end of 1992. The Company expects to open at least 24 additional Super Stop & Shops by the end of 1994, approximately 50% of which are expected to replace existing stores. Twelve of these stores are already under construction and are expected to open during 1993. The construction and opening of stores are subject to a variety of conditions, including the negotiation of leases, acquisition of real estate for stores to be owned, government and regulatory authority approvals and the expiration or buy-out of existing third-party tenancies. The cost of construction of a new, owned Super Stop & Shop currently ranges from approximately $2.8 million to $3.5 million, exclusive of land acquisition or site preparation costs. The current cost of fixturing a new Super Stop & Shop including leased equipment is approximately $3.2 million. Land acquisition and site preparation costs vary significantly by location.

Five-Year Selected Financial Data

THE STOP & SHOP COMPANIES, INC. AND SUBSIDIARIES

(Dollars in thousands except per share amounts)	Company					Predecessor Corporation[2]
	Year Ended				Period Ended	Period Ended
	January 30, 1993	February 1, 1992	February 2, 1991 (53 Weeks)	January 27, 1990	January 28, 1989 (44 weeks)	March 31, 1988 (8 weeks)
Operating Results:						
Retail sales	**$3,352,327**	$3,238,009	$3,218,160	$2,884,713	$2,154,656	$362,707
Earnings before interest, taxes, depreciation and amortization	**252,874**	230,334	200,356	155,700	115,100	(9,500)
Operating profit	**185,276**	169,777	145,907	107,400	77,700	(16,300)
Earnings from continuing operations	**54,397**	37,531	28,851	8,300	23,400	(11,200)
Earnings per share from continuing operations	**1.05**	1.00	0.84	0.24	0.69	(0.41)
Weighted average number of common shares and share equivalents outstanding	**51,587**	37,621	34,271	33,897	33,895	27,095
Balance Sheet Data:						
Inventories	**205,473**	189,888	172,221	178,006	194,944	–
Working capital[1]	**(91,262)**	(85,240)	(84,056)	(69,389)	4,276	–
Total assets	**1,315,895**	1,706,759	1,646,111	1,633,500	1,767,547	–
Cash capital expenditures	**120,754**	88,116	63,388	66,751	42,145	–
Long-term debt and redeemable preferred stock (including capital leases)	**759,670**	1,046,775	1,231,555	1,233,679	1,386,388	–
Stockholders' equity	**150,560**	319,049	94,922	92,964	116,211	–
Financial Statistics and Ratios:						
Sales increase over prior year	**3.53%**	0.62%	11.56%	14.59%	10.44%	–
Earnings from continuing operations to sales	**1.62%**	1.16%	0.90%	0.29%	1.09%	–
Current ratio[1]	**0.8**	0.7	0.7	0.8	1.0	–
Long-term debt and redeemable preferred stock (including capital leases) to equity	**5.0**	3.3	13.0	13.3	11.9	–

All years presented have been restated to present the Bradlees Business as a discontinued operation (See notes to consolidated financial statements).

(1) Adjusted to exclude net assets related to the discontinued operations.

(2) The Predecessor Corporation is a corporation which existed prior to the April 1, 1988 acquisition by KKR. As required by generally accepted accounting principles it is presented separately.

Consolidated Statements of Operations

THE STOP & SHOP COMPANIES, INC. AND SUBSIDIARIES

(Dollars in thousands except per share amounts)	Year Ended January 30, 1993	February 1, 1992	February 2, 1991 (53 Weeks)
Retail sales	**$3,352,327**	$3,238,009	$3,218,160
Costs and expenses:			
Cost of goods sold, buying and warehousing costs	**2,471,036**	2,405,378	2,432,862
Selling, store operating and administrative expenses	**628,417**	602,297	584,942
Depreciation and amortization	**59,373**	52,410	46,308
Amortization of goodwill and lease interests	**8,225**	8,147	8,141
Total costs and expenses	**3,167,051**	3,068,232	3,072,253
Operating profit	**185,276**	169,777	145,907
Interest expense, net:			
Interest on obligations under capital leases	**17,322**	17,732	15,911
Interest and amortization of debt expense, net	**64,350**	79,871	72,152
Total interest expense	**81,672**	97,603	88,063
Earnings from continuing operations before income tax provision	**103,604**	72,174	57,844
Income tax provision	**49,207**	34,643	28,993
Earnings from continuing operations	**54,397**	37,531	28,851
Loss from discontinued operations, net of income tax benefit (expense) of $8,706, ($715) and $11,244	**(13,958)**	(5,131)	(26,651)
Loss on disposition of discontinued operations	**(194,539)**	—	—
Earnings (loss) before extraordinary loss	**(154,100)**	32,400	2,200
Extraordinary loss, net of income tax benefit of $11,268 and $5,947	**(14,900)**	(8,600)	—
Net earnings (loss)	**$ (169,000)**	$ 23,800	$ 2,200
Net earnings (loss) per common share and share equivalents:			
Earnings from continuing operations	**$ 1.05**	$ 1.00	$ 0.84
Loss from discontinued operations, net of income tax benefit	**(0.27)**	(0.14)	(0.78)
Loss on disposition of discontinued operations	**(3.77)**	—	—
Earnings (loss) before extraordinary loss	**(2.99)**	0.86	0.06
Extraordinary loss, net of income tax benefit	**(0.29)**	(0.23)	—
Net earnings (loss)	**$ (3.28)**	$ 0.63	$ 0.06
Weighted average number of common shares and share equivalents outstanding (in thousands)	**51,587**	37,621	34,271

See notes to consolidated financial statements.

Consolidated Balance Sheets

THE STOP & SHOP COMPANIES, INC. AND SUBSIDIARIES

(Dollars in thousands)	January 30, 1993	February 1, 1992
Assets		
Current assets:		
Cash	**$ 8,704**	$ 5,451
Restricted investments	**5,030**	5,707
Cash and cash equivalents	**13,734**	11,158
Investment in common stock, at cost	**7,930**	–
Accounts receivable	**76,316**	38,650
Inventories	**205,473**	189,888
Prepaid expenses	**10,950**	15,999
Net assets related to discontinued operations	**–**	502,229
Total current assets	**314,403**	757,924
Property, plant and equipment, net:		
Property excluding capital leases, net	**579,967**	506,784
Property under capital leases, net	**103,737**	114,747
Total property, plant and equipment, net	**683,704**	621,531
Other assets:		
Goodwill, net	**150,555**	154,840
Lease interests at market value, net	**109,241**	110,842
Deferred financing costs, net	**27,435**	35,456
Deferred federal income taxes	**14,349**	13,891
Other	**16,208**	12,275
Total other assets	**317,788**	327,304
Total assets	**$1,315,895**	$1,706,759
Liabilities, Redeemable Preferred Stock and Stockholders' Equity		
Current liabilities:		
Accounts payable	**$ 206,838**	$ 174,755
Other accrued expenses	**70,367**	41,328
Accrued employee compensation and benefits	**56,764**	52,092
Accrued workers' compensation and general liability	**48,049**	43,590
Accrued income taxes	**1,696**	10,984
Short-term debt	**8,594**	3,523
Current portion of long-term debt	**13,357**	14,663
Total current liabilities	**405,665**	340,935
Long-term debt:		
Long-term debt excluding obligations under capital leases	**636,282**	918,007
Obligations under capital leases	**118,388**	123,768
Long-term debt	**754,670**	1,041,775
Commitments and contingencies	**–**	–
Redeemable preferred stock	**5,000**	5,000
Stockholders' equity:		
Preferred stock; none outstanding	**–**	–
Common stock; 49,037,485 shares outstanding (49,000,885 at February 1, 1992)	**491**	491
Additional paid-in capital	**306,917**	306,529
Retained earnings (deficit)	**(156,553)**	12,447
Treasury stock, at cost	**(295)**	(418)
Total stockholders' equity	**150,560**	319,049
Total liabilities, redeemable preferred stock and stockholders' equity	**$1,315,895**	$1,706,759

Included in accounts receivable, at January 30, 1993, is $8,300 currently due from Bradlees, Inc.
See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

THE STOP & SHOP COMPANIES, INC. AND SUBSIDIARIES

(Dollars in thousands except per share amounts)	Year Ended January 30, 1993	February 1, 1992	February 2, 1991 (53 Weeks)
Cash flows from operating activities:			
Net earnings (loss)	**$(169,000)**	$ 23,800	$ 2,200
Adjustments to reconcile net earnings (loss) to net cash provided:			
Loss from discontinued operations	**13,958**	5,131	26,651
Loss on disposition of discontinued operations	**194,539**	–	–
Extraordinary loss related to retirement of debt	**14,900**	8,600	–
Depreciation and amortization	**59,373**	52,410	46,308
Amortization of goodwill and lease interests	**8,225**	8,147	8,141
Amortization of deferred financing costs	**6,821**	9,471	9,535
Issuance of debt in payment of interest	**–**	31,797	34,170
Deferred federal income taxes	**(458)**	(7,159)	(1,793)
Increase (decrease) in cash resulting from a change in:			
Accounts receivable	**(37,666)**	(1,376)	(7,315)
Inventories	**(15,585)**	(17,667)	5,785
Prepaid expenses	**5,049**	(3,409)	639
Other assets	**(6,273)**	(2,708)	(1,346)
Accounts payable	**32,083**	26,435	(10,458)
Accrued expenses	**(2,445)**	(4,376)	15,819
Net cash provided by operating activities	**103,521**	129,096	128,336
Cash flows from investing activities:			
Capital expenditures	**(120,754)**	(88,116)	(63,388)
Disposals of property, plant, and equipment	**584**	678	756
Investment in common stock	**(7,930)**	–	–
Net proceeds from sale of discontinued operations	**338,789**	–	–
Net assets related to discontinued operations	**(13,730)**	(35,255)	(26,596)
Net cash provided by (used in) investing activities	**196,959**	(122,693)	(89,228)
Cash flows from financing activities:			
Proceeds from issuance of debt	**9,089**	6,646	1,196
Principal payments on debt	**(15,496)**	(5,601)	(5,833)
Issuance of Senior Subordinated Notes	**250,000**	–	–
Voluntary retirement of debt	**(357,901)**	(298,559)	–
Debt issuance costs	**(8,192)**	(627)	–
Extraordinary costs related to retirement of debt, net	**(5,507)**	(3,566)	–
Net borrowings (payments) under credit agreements	**(165,000)**	98,000	(35,000)
Principal payments under capital lease obligations	**(5,408)**	(5,358)	(2,010)
Proceeds from issuance of common stock	**–**	200,327	39
Treasury stock activity, net	**511**	–	(281)
Net cash used in financing activities	**(297,904)**	(8,738)	(41,889)
Net increase (decrease) in cash and cash equivalents	**2,576**	(2,335)	(2,781)
Cash and cash equivalents:			
Beginning of year	**11,158**	13,493	16,274
End of year	**$ 13,734**	$ 11,158	$ 13,493
Supplemental disclosures of cash flow information:			
Cash paid for interest	**$ 87,975**	$ 97,900	$ 98,818
Cash paid for income taxes	**$ 36,452**	$ 34,611	$ 13,129
Supplemental schedule of non-cash investing and financing activities:			
Capital lease obligations incurred	**$ 4,126**	$ 3,364	$ 19,638
Capital lease obligations related to discontinued operations	**$ –**	$ 2,781	$ 11,742
Capital lease obligations terminated	**$ –**	$ 13,210	$ –

See notes to consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

THE STOP & SHOP COMPANIES, INC. AND SUBSIDIARIES

(Dollars in thousands)	Common Stock Shares	Common Stock Amounts	Additional Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock	Total
Balance at January 27, 1990	31,954,341	$320	$106,334	$(13,553)	$(137)	$ 92,964
Issuance of common stock	11,028	–	39	–	–	39
Net earnings	–	–	–	2,200	–	2,200
Treasury stock activity, net	(83,374)	–	–	–	(281)	(281)
Balance at February 2, 1991	31,881,995	320	106,373	(11,353)	(418)	94,922
Issuance of common stock	17,118,890	171	200,156	–	–	200,327
Net earnings	–	–	–	23,800	–	23,800
Balance at February 1, 1992	49,000,885	491	306,529	12,447	(418)	319,049
Net loss	–	–	–	(169,000)	–	(169,000)
Treasury stock activity, net	36,600	–	388	–	123	511
Balance at January 30, 1993	**49,037,485**	**$491**	**$306,917**	**$(156,553)**	**$(295)**	**$150,560**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

THE STOP & SHOP COMPANIES, INC. AND SUBSIDIARIES
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

1. BUSINESS

The Stop & Shop Companies, Inc. and its subsidiaries ("Stop & Shop" or "Company") is a leading supermarket retailer in New England, with one store in New York. The Company is headquartered in Boston, Massachusetts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation Intercompany balances and transactions have been eliminated in consolidation.

The fiscal year of the Company ends on the Saturday nearest to January 31. All years referred to in the consolidated financial statements consist of 52 weeks except for the fiscal year ended February 2, 1991, which consists of 53 weeks. References herein to "1992," "1991," and "1990" are to the fiscal years ended January 30, 1993, February 1, 1992, and February 2, 1991, respectively.

Cash and cash equivalents Cash and cash equivalents include cash and investments, valued at cost plus accrued interest, which approximates market value. Included in investments are restricted investments held in escrow for interest and certain other payments under the terms of a loan agreement. These investments are highly liquid and have maturities of three months or less.

Inventories Substantially all store and warehouse inventories are valued at the lower of cost or market using the last-in, first-out ("LIFO") method. The effect of the LIFO method is to decrease inventory values from current prices by $16,439 as of January 30, 1993 and by $14,711 as of February 1, 1992.

Depreciation and amortization of property, plant and equipment Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the related assets as follows:

Buildings	30 to 33 years
Land improvements	15 years
Fixtures, machinery and equipment	3 to 10 years
Leasehold improvements	10 to 15 years or the term of the lease, if shorter

Goodwill Goodwill, resulting from the excess of the purchase price over net assets acquired in the April 1, 1988 leveraged buyout ("Acquisition"), is being amortized on the straight-line method over 40 years. Accumulated amortization was $20,667 as of January 30, 1993 and $16,382 as of February 1, 1992.

Lease interests at market value Lease interests at market value were established in connection with the Acquisition and represent the present value of the excess of market rents over actual rents payable over the remaining lives of the leases. The lease interests are being amortized on the straight-line method over the remaining lives of the leases. Accumulated amortization was $18,597 as of January 30, 1993 and $14,657 as of February 1, 1992.

Deferred financing costs Deferred financing costs are being amortized over the life of the related financing using the interest method for the Credit Agreement and the straight-line method for all other debt instruments. Accumulated amortization was $38,271 as of January 30, 1993 and $36,879 as of February 1, 1992.

Store opening and closing costs All store pre-opening costs are expensed as incurred. Costs associated with the closing of stores are provided for when management makes the decision to close such stores.

Income taxes Income taxes are provided for in accordance with APB Opinion No. 11, whereby deferred taxes are provided on items that result in timing differences in the recognition of revenue and expense between tax and financial statement reporting. Job tax credits are accounted for as a reduction in the current provision for federal income taxes.

Net earnings (loss) per common share and share equivalents Primary earnings (loss) per common share and share equivalents is computed based on the weighted average number of shares outstanding plus the common stock equivalents related to stock options, once the latter causes dilution in earnings per share in excess of 3%. For each of the periods presented, fully diluted earnings (loss) per share is not presented since the results do not cause a dilution in earnings per share in excess of 3%.

3. DISCONTINUED OPERATIONS

On July 1, 1992, Bradlees, Inc. ("Bradlees"), a newly formed public company, sold 11,018,625 shares of common stock in an initial public offering. Subsequently, on July 9, 1992, Bradlees consummated a Stock Purchase Agreement with the Company to purchase all of the common stock of Bradlees New England Holdings, Inc., Bradlees New York Holdings, Inc., and each of their subsidiaries and Bradlees New Jersey, Inc., ("the Bradlees Business"). The stock of certain real estate subsidiaries of Bradlees New Jersey, Inc. was not included in the sale and the properties owned by these subsidiaries were retained by the Company and leased to Bradlees. Three of the Company's directors serve on the current Bradlees Board of Directors together with members of Bradlees' management. The Company also purchased one million shares of Bradlees common stock for its own investment account. During 1992 the Company sold 390,000 of these shares at a gain of $1.7 million. This gain has been deferred until such time as the remainder (610,000 shares) of the stock investment is sold. Additionally, the Company entered into administrative reimbursement agreements with Bradlees through which Bradlees will share certain transitional expenses with the Company (See note titled "Related Party Transactions").

(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

Net proceeds from the sale of the Bradlees Business approximated $389 million, comprised of $133 million from the proceeds of Bradlees initial public offering, the assumption of $50 million in capital lease obligations, $106 million from the proceeds of a term loan which were used to repay certain intercompany balances and $100 million Subordinated Note payable to the Company. The Subordinated Note was repaid on August 5, 1992. All other intercompany balances between the Bradlees Business and the Company were cancelled in connection with the sale.

The loss on disposition of discontinued operations of $194.5 million reflects the cancellation of certain intercompany balances, the write-down of the net assets of the Bradlees Business to their net realizable value, other expenses related to the sale, and approximately $2 million in net operating losses of the Bradlees Business from the measurement date (May 6, 1992) to the date of the sale (July 9, 1992).

Retail sales related to the Bradlees Business were $671.8 million in the twenty-three weeks ended July 9, 1992 and $1,771.6 million in 1991 and $1,771.7 million in 1990.

4. EXTRAORDINARY LOSS, NET OF INCOME TAX BENEFIT

Reflected in the net earnings for 1992 is an extraordinary loss, net of income tax benefit, of $14,900 ($8,600 in 1991), resulting from the retirement or repurchase of $307,901 ($298,559 in 1991) of high interest subordinated debt. The debt consisted primarily of $132,901 of Series I and II Senior Subordinated Reset Notes and $175,000 of Subordinated Debentures. The interest rates on the debt ranged from 12.5% to 13.25%.

5. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment on hand is as follows:

	January 30, 1993	February 1, 1992
Property excluding capital leases, net:		
Land	**$128,709**	$120,870
Buildings and improvements	**297,871**	241,020
Fixtures, machinery and equipment	**172,223**	156,670
Leasehold improvements	**52,779**	48,616
	651,582	567,176
Accumulated depreciation and amortization	**(71,615)**	(60,392)
	579,967	506,784
Property under capital leases, net:		
Buildings and improvements	**120,123**	120,123
Equipment	**42,488**	37,622
Motor vehicles	**1,236**	3,871
	163,847	161,616
Accumulated amortization	**(60,110)**	(46,869)
	103,737	114,747
Total property, plant and equipment, net	**$683,704**	$621,531

6. SHORT-TERM AND LONG-TERM DEBT

	January 30, 1993	February 1, 1992
Short-term Debt:		
Working Capital Facility 6.3% (8.0% in 1991)	**$ 8,000**	$ 3,000
Other notes 4.7% (6.6% in 1991)	**594**	523
Short-term debt	**$ 8,594**	$ 3,523
Long-term Debt:		
Credit Agreement, 4.7% (6.6% in 1991)	**$ 160,000**	$ 325,000
Subordinated debt:		
Senior Subordinated Notes, 9.75%, due 2002	**250,000**	
Series I Senior Subordinated Extendible Reset Notes, 13.125% due 1992	**–**	69,385
Series II Senior Subordinated Extendible Reset Notes, 12.5% due 1992	**–**	63,516
Subordinated debentures, 13.25% due 2000	**–**	175,000
	250,000	307,901
Notes:		
Mortgage notes, S&S Finance International, Inc., 10.49% due 1996	**200,000**	250,000
Mortgage notes, 6.5% to 13.1% (weighted average of 11.9%) payable in installments through 2009	**28,273**	34,363
Other notes, 9.9% to 10.8% (weighted average of 10.0% in 1992 and 11.4% in 1991) maturing at various amounts through 1995	**2,246**	7,634
	230,519	291,997
Debt excluding obligations under capital leases	**640,519**	924,898
Obligations under capital leases	**127,508**	131,540
Total long-term debt	**768,027**	1,056,438
Less current portion of long-term debt:		
Notes	**(4,237)**	(6,891)
Obligations under capital leases	**(9,120)**	(7,772)
Current portion of long-term debt	**(13,357)**	(14,663)
Long-term debt	**$ 754,670**	$1,041,775

Credit Agreement The Company entered into a Credit Agreement and Working Capital Facility, dated March 31, 1988, as amended, with a group of banks, with Chemical Bank (formerly Manufacturers Hanover Trust Company) as agent, which provides for certain borrowings.

In April 1992, the Company significantly revised and renegotiated major terms in its Credit Agreement. The amended and restated Credit Agreement contains terms that are more favorable with respect to interest rates, available borrowing amounts, repayment terms and covenant flexibility. The agreement extended the maturity of the Credit Agreement to March 31, 1998. While the Credit Agreement originally provided a maximum borrowing capacity of $600,000, the Company voluntarily reduced its overall commitment to $400,000 as a result of the disposition of the Bradlees Business. There are no scheduled reductions to the amounts available to the Company under the Credit Agreement prior to maturity.

The interest on the Credit Agreement is, at the Company's election, Chemical Bank's reference rate plus ¼% or the reserve adjusted Eurodollar rate plus 1¼%. Rates may be adjusted downward upon the attainment of certain financial performance goals by the Company.

Borrowings under the Credit Agreement are secured by the common stock and debt guarantees of certain subsidiaries of Stop & Shop. The Credit Agreement contains financial and other covenants, including limitations on indebtedness, liens, dividends and other payments. For the year ended January 30, 1993, the Company was in compliance with all covenants.

Subordinated debt On February 4, 1992, the Company issued $250,000 of 9.75% Senior Subordinated Notes due February 1, 2002 ("New Issue"). The New Issue is not redeemable prior to its stated maturity. It is subordinate in right of payment to all existing and future senior indebtedness of the Company, including all indebtedness under the Credit Agreement or any refinancing thereof. The New Issue contains financial and other covenants, including limitations on indebtedness, liens, dividends and other payments. For the year ended January 30, 1993, the Company was in compliance with all covenants.

The net proceeds to the Company from the sale of the New Issue approximated $245 million and, initially, were used to reduce outstanding amounts under the Credit Agreement and to purchase from Shearson Lehman Brothers, Inc. a $50,000, 11.94% Subordinated Note due 1996, which is secured by mortgages on the properties of certain real estate subsidiaries of the Company ("Borrowers").

During 1992, the Company retired or repurchased all of its outstanding Series I Notes and Series II Notes with balances of $69,385 and $63,516, respectively, together with $175,000 in Subordinated Debentures (collectively the "Subordinated Debt Reduction"). The Subordinated Debt Reduction resulted in an extraordinary loss of $14,900, consisting of $16,775 in premiums on the Subordinated Debt Reduction and $9,393 in non-cash write-offs of unamortized deferred financing costs, net of $11,268 in income tax benefits.

During 1991, the Company retired or repurchased $237,075 of its Series I Notes and $61,484 of its Series II Notes. This reduction resulted in an extraordinary loss of $8,600, consisting of $9,513 in premiums and $5,034 in non-cash write-offs of unamortized deferred financing costs, net of $5,947 in income tax benefits.

Mortgage notes The Borrowers entered into a Loan Agreement ("Loan Agreement") dated December 9, 1988, as amended, with the S&S Finance International, Inc. ("Lender"), pursuant to which the Lender made an aggregate of $250,000 of non-recourse loans to the Borrowers, secured by mortgages on the Borrowers' properties.

The Lender obtained its funds through a $200,000, 10.125%, Eurobond offering due 1996, guaranteed by Financial Security Assurance Inc., and through the issuance of a $50,000, 11.94%, Subordinated Note due 1996, which the Company purchased from Shearson Lehman Brothers, Inc. during 1992. The Lender is a special purpose corporation established to consummate the transaction. Although certain officers and directors of the Lender also are officers of the Company, the Lender is owned by parties unrelated to the Company.

The loans by the Lender to the Borrowers bear interest at 10.49%, with interest payable monthly and the principal balance due December 16, 1996. The loans have not been guaranteed by Stop & Shop or any of its subsidiaries (other than the Borrowers). The assets of each Borrower are not available to pay the creditors of the Lender (except as related to the guarantee of such Borrower with respect to the mortgage loans), Stop & Shop or any of its subsidiaries (except as may be related to guarantees under the Credit Agreement). The assets of the Lender are not available to pay the creditors of the Borrowers, Stop & Shop or any of its subsidiaries. Separate financial statements are maintained for each of the Borrowers, as well as for Stop & Shop and its other subsidiaries.

The mortgage notes are secured by land, buildings and improvements carried at a net book value of $277,280 and by assignment of intercompany lease agreements.

Principal payments Long-term debt (excluding obligations under capital leases) is scheduled for repayment in each of the next five years ending January 31, 1994, through 1998 as follows: $4,237, $1,888, $1,985, $202,497, and $2,599. Amounts due during the year ended January 31, 1997 include $200,000 on the Loan Agreement, which may be refinanced upon maturity.

(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

7. LEASES

At January 30, 1993, the Company had various noncancellable leases in effect for store properties, office buildings and distribution centers as well as transportation, computer and other equipment. Included in operations, are 33 stores owned by the Company and 85 leased by the Company.

At January 30, 1993, minimum payments due under leases are:

	Capital Leases	Operating Leases
1993	**$ 26,531**	**$ 36,596**
1994	**25,246**	**33,027**
1995	**22,325**	**30,555**
1996	**19,846**	**28,428**
1997	**18,395**	**26,049**
Thereafter	**202,563**	**237,036**
Total minimum payments	**314,906**	**$391,691**
Estimated executory costs	**(4,213)**	
Net minimum lease payments	**310,693**	
Imputed interest	**(183,185)**	
Present value of net minimum lease payments	**127,508**	
Less current portion	**(9,120)**	
Obligations under capital leases, net of current portion	**$118,388**	

Minimum payments for capital and operating leases have not been reduced by minimum sublease rentals of $943 and $20,760, respectively, due in the future under noncancellable subleases. They also do not include contingent rentals that may be paid under certain leases.

Total rent expense was as follows:

	Year Ended		
	January 30, 1993	February 1, 1992	February 2, 1991
Operating leases:			
Minimum rent	**$45,404**	$38,867	$36,213
Contingent rent	**1,840**	2,258	2,237
Sublease income	**(4,535)**	(4,307)	(3,849)
	42,709	36,818	34,601
Capital leases:			
Contingent rent	**530**	680	596
Sublease income	**(433)**	(448)	(414)
	97	232	182
Total	**$42,806**	$37,050	$34,783

Contingent rentals are determined on the basis of a percentage of sales in excess of stipulated minimums for certain store facilities and on the basis of mileage for transportation equipment. Most of the leases provide that the Company pay taxes, maintenance, insurance and certain other operating expenses. Management expects that, in the normal course of business, expiring leases will be renewed or replaced by other leases.

The Company has assigned leases to third parties for closed facilities and related equipment and remains liable under the original leases in the event of nonperformance by any third party. At January 30, 1993, the Company had assigned 198 leases with terms through 2016. The 1993 annual minimum rental payments total $55,008 of which $39,888 represents Bradlees, Inc. The Company does not anticipate nonperformance by any third party and, accordingly, these minimum rent payments are not included in the Company's schedule of future minimum payments.

8. REDEEMABLE PREFERRED STOCK

At January 30, 1993 and February 1, 1992, there were 50,000 shares of Series B Redeemable Preferred Stock, $1.00 par value ("Series B Preferred") authorized, issued and outstanding with Chemical Bank Venture Capital Corporation. The Series B Preferred provides for cumulative dividends of $14.50 per share on an annual basis payable quarterly. These dividends have been classified with interest and amortization of debt expense in the accompanying Consolidated Statements of Operations.

The Series B Preferred may be redeemed by the Company in whole or in part, at any time, at a price of $100 per share plus accrued dividends. At any time on or after March 31, 1995, the holders of the Series B Preferred have the option to redeem their shares at a redemption price of $100 per share plus accrued dividends. Holders of the Series B Preferred have no voting rights except as required by law and except with respect to any increase in the number of authorized shares of Series B Preferred.

9. STOCKHOLDERS' EQUITY

In November 1991, the Company sold 17 million shares of common stock at $12.50 per share. Net proceeds, after deducting the underwriting discount and other expenses, approximated $200 million.

As of January 30, 1993 and February 1, 1992, the number of shares issued was 49,124,844.

As of January 30, 1993 and February 1, 1992, 31,058,850 shares of outstanding common stock (63%) were owned by three limited partnerships, of which an affiliate of Kohlberg Kravis Roberts & Co., L.P. ("KKR") is the general partner and certain former shareholders of the Company and certain investors associated with KKR are the limited partners.

At January 30, 1993 and February 1, 1992, 942,035 shares of common stock were owned by certain current and former members of management ("Management Investors") under Subscription Agreements. All common stock and stock options issued under Subscription Agreements are restricted as to transferability and may be repurchased, at the Company's option, upon termination and, at the Management Investor's option, upon specified contractual provisions (such as death or disability).

The common stock and stock options held by the three limited partnerships and the Management Investors are "restricted" securities under the meaning of Rule 144 under the Securities Act and may not be sold in the absence of registration under the Securities Act, unless an exemption from registration is available, including exemptions contained in Rule 144.

The Company has an Outside Director Equity Plan ("Director Plan") which authorizes the issuance of stock or stock options to purchase up to 100,000 shares of common stock to the Company's outside directors. The terms of the options are fixed by members of the Outside Director Equity Committee. Those directors who are members of the Outside Director Equity Committee and who administer the Director Plan are not eligible to participate in the Director Plan. As of January 30, 1993, no stock or stock options have been granted under the Director Plan.

Additionally the Company is authorized to issue 10,000,000 shares of Preferred Stock, $.01 par value, of which no shares were outstanding at January 30, 1993 and February 1, 1992.

At January 30, 1993, all retained earnings were restricted as to payments of dividends.

10. STOCK OPTIONS

The Company maintains a Management Equity Plan ("Plan") which provides, under Non-Qualified Stock Options Agreements, for the granting of options to Management Investors. All 3,408,153 shares to be issued pursuant to the Plan have been made available by Stop & Shop and no additional shares are available for future grants at January 30, 1993. Options under the Plan expire in ten years and become exercisable over a designated five-year period at the rate of 20% per year. Options are restricted as to transferability (See note titled "Stockholders' Equity").

The Company also maintains a Stock Option Plan for Key Employees ("Key Employee Plan"). Under the Key Employee Plan, current and former key employees of the Company and its subsidiaries have received grants of options which are intended to qualify as incentive stock options or which are non-qualified stock options. An aggregate of 1,350,000 shares of Common Stock were reserved for issuance under the Key Employee Plan. As of January 30, 1993, 393,350 shares are available for future grants under the Key Employee Plan.

Incentive stock options must be granted within 10 years from the date of the Key Employee Plan's adoption. The exercise price of each option must be at least equal to the fair market value of the stock on the date of grant and the term cannot exceed 10 years. In the case of an individual who owns (or is deemed to own) at least 10% of the total combined voting power of all classes of stock of the Company or a subsidiary, the exercise price must be at least 110% of the fair market value on the date of grant and the term cannot exceed five years.

Changes in these plans are summarized in the following schedule:

	Year Ended			
	January 30, 1993		February 1, 1992	
	Shares	**Grant Price**	Shares	Grant Price
Outstanding at beginning	**3,408,153**	**$ 3.33- 4.59**	2,296,560	$3.33-3.81
Granted	**962,400**	**$15.75-16.875**	1,111,593	$4.21-4.59
Expired or cancelled	**(5,750)**	**$15.75**	–	
Outstanding at year end	**4,364,803**	**$ 3.33-16.875**	3,408,153	$3.33-4.59
Exercisable at year end	**2,264,216**	**$ 3.33- 4.59**	1,315,233	$3.33-4.59

11. PENSION AND POSTRETIREMENT PLANS

Pension plans Certain union employees are covered by multi-employer, defined benefit plans. Expenses for these plans were $12,555 in 1992, $9,211 in 1991 and $11,928 in 1990, as determined in accordance with negotiated labor contracts.

The Company has several non-contributory defined benefit pension plans for employees not participating in multi-employer plans. Plan benefits are based on the participant's final average compensation and/or years of service. The Company funds the amount required by law.

The components of net pension cost are:

	Year Ended		
	January 30, 1993	February 1, 1992	February 2, 1991
Service cost	**$ 1,280**	$ 1,400	$ 1,135
Interest cost	**4,935**	5,210	4,499
Return on plan assets	**(4,625)**	(13,773)	2,245
Net amortization	**(490)**	8,976	(7,972)
	1,100	1,813	(93)
Settlement gain	**(308)**	–	(198)
Net pension cost	**$ 792**	$ 1,813	$ (291)

The 1992 settlement gain is due to the transfer of obligations to Bradlees.
The 1990 settlement gain is due to the termination of certain union plans.

(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

The funded status of the Company's plans is:

	January 30, 1993	February 1, 1992
Plans where assets exceed accumulated benefits:		
Actuarial present value of:		
Vested benefit obligation	**$(47,142)**	$(42,533)
Accumulated benefit obligation	**$(48,154)**	$(42,831)
Projected benefit obligation	**$(65,360)**	$(55,961)
Plan assets at fair value	**64,819**	62,010
Projected benefit obligation (greater) less than plan assets	**(541)**	6,049
Unrecognized prior service cost	**(996)**	(2,229)
Unrecognized net obligation	**408**	979
Unrecognized net gain	**(3,408)**	(8,053)
Accrued pension liability	**$ (4,537)**	$ (3,254)
Plans where accumulated benefits exceed assets:		
Actuarial present value of:		
Vested benefit obligation	**$ (4,556)**	$ (2,726)
Accumulated benefit obligation	**$ (5,529)**	$ (2,871)
Projected benefit obligation	**$ (5,656)**	$ (4,202)
Plan assets at fair value	**3,103**	2,280
Projected benefit obligation greater than plan assets	**(2,553)**	(1,922)
Unrecognized prior service cost	**1,426**	1,640
Unrecognized net obligation	**(67)**	(73)
Unrecognized net (gain) loss	**671**	(178)
Accrued pension cost	**(523)**	(533)
Additional liability	**(1,904)**	(1,430)
Accrued pension liability	**$ (2,427)**	$ (1,963)

In 1992, the rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation was 5.75% (6.5% in 1991), the discount rate, 8.5% (9.25% in 1991); and the expected rate of return on the plan assets, 9.5%. The plan assets are held in a master trust fund, which are invested primarily in equity and fixed income securities and cash and cash equivalents.

Postretirement Plans In addition to providing pension benefits, the Company provides life insurance and health care benefits for certain retired employees meeting age and service requirements. The cost of the life insurance is accrued based on the present value of estimated future benefit payments.

During the first fiscal quarter of 1993, the Company, in compliance with the Financial Accounting Standards Board ("FASB"), will adopt Statement of Financial Accounting Standards ("SFAS") No. 106, Employer's Accounting for Postretirement Benefits Other Than Pensions. Under SFAS No. 106, the Company will accrue for post-retirement benefits over employees' active service lives. Implementation of SFAS No. 106 will not have a material impact on the Company's financial statements.

The total costs recognized for postretirement life insurance and health care plans were approximately $1,356 in 1992, $623, in 1991 and $392 in 1990.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure of the estimated fair value of the Company's financial instruments as of January 30, 1993 is made in accordance with the requirements of SFAS No. 107, Disclosure about Fair Value of Financial Instruments.

	Carrying Amount	Estimated Fair Value
Investment in common stock	**$ 7,930**	$ 10,675
Mortgage notes, S&S Finance International, Inc.	**200,000**	222,280
Senior Subordinated Notes	**250,000**	261,875

The fair value of the financial instruments was determined by quoted market prices. The carrying amount of all other financial instruments approximates their estimated fair value.

13. INCOME TAXES

The income tax provision is comprised of:

	Year Ended		
	January 30, 1993	February 1, 1992	February 2, 1991
Current			
Federal	**$35,163**	$33,564	$23,069
State	**14,502**	8,238	7,717
	49,665	41,802	30,786
Deferred			
Timing differences related to:			
Accelerated depreciation	**2,931**	(3,013)	1,190
Self-insurance	**(842)**	(928)	(1,722)
Capital leases	**(1,405)**	(1,571)	(1,588)
Other	**(1,142)**	(1,647)	327
	(458)	(7,159)	(1,793)
Income tax provision	**$49,207**	$34,643	$28,993

The income tax provision differs from the amount computed by applying the statutory federal income tax rate to earnings before income tax provision and extraordinary loss as follows:

	Year Ended		
	January 30, 1993	February 1, 1992	February 2, 1991
Statutory rate	**34%**	34%	34%
State income taxes, net of federal income tax benefits	**9**	8	9
Job tax credit, net	**(1)**	(1)	(1)
Purchase accounting basis adjustments related to:			
Amortization	**4**	4	5
Store closing costs	**–**	–	(1)
Depreciation and disposal of assets	**2**	1	1
Non-deductible reserves	**–**	–	2
Other	**(1)**	2	1
Effective tax rate	**47%**	48%	50%

During the first fiscal quarter of 1993, the Company also will adopt, as required by FASB, SFAS No. 109, Accounting for Income Taxes. Although implementation will affect the presentation of the Company's financial statements, it will not have a material financial impact on them.

14. RELATED PARTY TRANSACTIONS

KKR renders management, consulting and financial services to the Company for an annual fee, which amounted to $713 in 1992, $644 in 1991 and $537 in 1990.

As discussed in the Note titled "Redeemable Preferred Stock," all Series B Preferred is owned by Chemical Bank Venture Capital Corporation, an affiliate of Chemical Bank. Total expenses incurred for transactions with Chemical Bank were as follows:

	Year Ended		
	January 30, 1993	February 1, 1992	February 2, 1991
Interest expense under the Credit Agreement	**$ 747**	$2,815	$4,960
Facility fees under the Credit Agreement	**2,511**	2,811	2,717
Dividends on Series B Preferred	**725**	725	730
	$3,983	$6,351	$8,407

In connection with the sale of the Bradlees Business, Bradlees, Inc. shared certain reimbursable transitional administrative expenses with the Company. In 1992, the cost to Bradlees for such services amounted to $22.0 million. At January 30, 1993, the Consolidated Balance Sheet includes $8.3 million in accounts receivable currently due from Bradlees, Inc. The Company and Bradlees, Inc. also entered into various long-term agreements that require Bradlees, Inc. to reimburse the Company for certain shared data processing, warehousing and transportation costs.

15. COMMITMENTS AND CONTINGENCIES

At January 30, 1993, the Company had outstanding commercial and standby letters of credit totalling $19.7 million relating to trade, insurance and real estate activities.

On February 10, 1992, the Company received a complaint filed in U.S. Bankruptcy Court in the Northern District of California by the Trustee in bankruptcy of Hamilton-Taft & Company ("HTC"), a tax payment service firm, alleging that approximately $12.55 million in tax payments made by HTC on the Company's behalf in January and March, 1991, utilizing withholding funds previously deposited by the Company with HTC for this purpose, constituted avoidable preferences under Section 547 of the Bankruptcy Code. On May 15, 1992, the Bankruptcy Court granted the Company's motion to dismiss the Trustee's claims and denied the Trustee's motion for partial summary judgment. This ruling was affirmed by the U.S. District Court on February 18, 1993. On March 1, 1993, the Trustee filed a notice of appeal with the U.S. Court of Appeals for the Ninth Circuit. The Company believes that the outcome of this action will not have a material adverse effect on the Company's financial statements taken as a whole.

16. SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

The quarterly results presented below have been restated to reflect the continuing operations of the Company.

	First Quarter 16 weeks	**Second Quarter 12 weeks**	**Third Quarter 12 weeks**	**Fourth Quarter 12 weeks**
Year Ended January 30, 1993:				
Retail sales	**$1,006,897**	**$775,605**	**$759,468**	**$810,357**
Gross margin	**$ 260,889**	**$204,508**	**$199,940**	**$215,954**
Earnings from continuing operations	**$ 15,797**	**$ 13,600**	**$ 10,300**	**$ 14,700**
Loss from discontinued operations, net of taxes	**(13,958)**	**–**	**–**	**–**
Loss on disposition of discontinued operations	**(194,539)**	**–**	**–**	**–**
Extraordinary loss, net of taxes	**(2,300)**	**(12,600)**	**–**	**–**
Net earnings (loss)	**$ (195,000)**	**$ 1,000**	**$ 10,300**	**$ 14,700**
Earnings (loss) per share and share equivalents:				
Continuing operations	**$ 0.31**	**$ 0.26**	**$ 0.20**	**$ 0.28**
Discontinued operations, net of taxes	**(.27)**	**–**	**–**	**–**
Disposition of discontinued operations	**(3.77)**	**–**	**–**	**–**
Extraordinary loss, net of taxes	**(0.05)**	**(0.24)**	**–**	**–**
Net earnings (loss)	**$ (3.78)**	**$ 0.02**	**$ 0.20**	**$ 0.28**
Year Ended February 1, 1992:				
Retail sales	$ 988,455	$752,280	$729,170	$768,104
Gross margin	$ 255,579	$193,525	$184,537	$198,990
Earnings from continuing operations	$ 12,869	$ 10,279	$ 6,389	$ 7,994
Loss from discontinued operations, net of taxes	(13,669)	(7,779)	(6,789)	23,106
Extraordinary loss, net of taxes	–	–	–	(8,600)
Net earnings (loss)	$ (800)	$ 2,500	$ (400)	$ 22,500
Earnings (loss) per share and share equivalents:				
Continuing operations	$ 0.38	0.30	0.19	0.16
Discontinued operations, net of taxes	(0.40)	(0.23)	(0.20)	0.48
Extraordinary loss, net of taxes	–	–	–	(0.18)
Net earnings (loss)	$ (0.02)	$ 0.07	$ (0.01)	$ 0.46

Independent Auditors' Report

To the Board of Directors and Stockholders of
The Stop & Shop Companies, Inc.:

We have audited the accompanying consolidated balance sheets of The Stop & Shop Companies, Inc. and its subsidiaries (the Company) as of January 30, 1993 and February 1, 1992 and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the three years in the period ended January 30, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at January 30, 1993 and February 1, 1992, and the results of their operations and their cash flows for each of the three years in the period ended January 30, 1993 in conformity with generally accepted accounting principles.

Deloitte & Touche

Boston, Massachusetts
March 8, 1993

Management's Report

The management of the Company is responsible for the preparation of the financial statements and all other information in this annual report.

The reliability of the financial statements depends on the adequacy of the Company's internal accounting controls. Such controls are designed to provide reasonable assurance that assets are properly safeguarded and that accounting records properly reflect the Company's business transactions. Such controls, in the broader sense, also encompass the organizational arrangements and personnel selection and evaluation criteria designed to provide reasonable assurance that the financial and other functions of the Company are performed by competent personnel, under adequate checks and balances. Management is responsible for the establishment of such controls on a continuing basis.

The reliability of the various internal accounting controls is tested by the Company's internal auditors. Annually, the Company's independent auditors, Deloitte & Touche, also review the internal accounting controls for reliability, and the preparation of the annual financial statements for compliance with generally accepted accounting principles; their opinion on the financial statements is included in this annual report.

The Board of Directors, through its Audit Committee, exercises an oversight role in the Company's financial statements. The committee reviews internal accounting control questions, and audit and financial reporting matters with management, the internal auditors and the independent auditors, who have direct access to the Audit Committee at any time.

Lewis G. Schaeneman, Jr.
Chairman and
Chief Executive Officer

Joseph D. McGlinchey
Senior Vice President and
Chief Financial Officer

Stop & Shop Board of Directors

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Chairman and Chief Executive Officer

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Senior Vice President, Support Services

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Vice President and General Sales Manager, Connecticut Division

Peter M. Phillipes
*Vice President, General Counsel and Secretary**

Richard Ponte
Vice President, Grocery and General Merchandise Sales and Procurement

Charles A. Richards
Vice President, Corporate Properties

Lawrence J. Robillard
Vice President and Controller

John E. Rogerson
Vice President, Distribution

*also serves as an officer of The Stop & Shop Companies, Inc.

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The Stop & Shop Companies, Inc.

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